



Department
Of
Economic and Community Development
59 Statehouse Station
Augusta, Maine 04333

POLICY STATEMENT #7

Subject: *Program Income, Program Income Plan and Post Close Out Reporting*

Revised: 04/03

I. Introduction

This policy statement defines terms and reporting requirements and compliance measures associated with income generated as a result of your Community Development Block Grant funded activities. This policy assures that funds are used in a timely and consistent manner as required by federal and state regulations.

II. Policy

1. Definitions

Program Income: Program income is defined as gross income received that was generated from the use of CDBG funds as described below and in Section 570.489(e) at 24 CFR part 570.

Program Income Plan: Developed by your community and approved by the OCD during the project development phase, the program income plan describes the amount and sources of anticipated program income and how it will be managed and expended during and/or after the grant. Program income can only be expended on eligible activities as defined by Title I of 24 CFR 570.

Open Grant: Any grant during the period between contract beginning date and conditional closeout.

Conditional Closeout: The point in your community's CDBG project when all program funds are expended (except those for your audit costs), monitoring findings have been resolved but your program goals have not yet been met and/or your audit (if necessary) is pending.

Final Closeout: Final closeout is granted after your audit (if necessary) is completed and approved, all program goals have been met, monitoring findings have been resolved and the package has been approved by the Office of Community Development.

2. Policy Statement

Program Income Received During the Grant Period: Your community must use Program income for specific activities identified in your approved Program Income Plan. Program income funds must be expended prior to drawing down current grant funds for the same activities that the program income is slated for.

Program Income on Hand at the End of a Grant Period: Your community may return unexpended program income to the Office of Community Development or continue to expend it for those activities undertaken during the open grant period. Your Program Income Plan identifies how these funds are managed and expended.

Income Received AFTER the Grant Closeout up to \$24,999.99: Communities may continue to expend income received after the grant period ends or return it to the Office of Community Development. If you expect to receive and expend income up to \$24,999.99 per calendar year (Jan. – Dec.) you must spend it on Title I eligible activities as stated in your approved program income plan, but no report on how funds are expended is required.

Program Income Received AFTER the Grant Closeout in EXCESS of \$24,999.99: Communities may continue to expend program income in compliance with their approved program income plan after the grant period ends. If you generate more than \$24,999.99 per calendar year (Jan. – Dec.), you must comply with all CDBG regulations when expending it and report the activities funded to the Office of Community Development. These funds should be treated as a new grant funds and must meet all CDBG program requirements. Your Annual Post-Grant Program Income Report must be submitted on or before January 31st for the previous calendar year.

REMEMBER!

If your community doesn't expect to exceed the \$24,999.99 limit BUT DOES, you must have complied with all CDBG regulations including environmental review, labor standards, etc. for all funds received and expended from \$0 on, and must comply with the Post-Grant Program Income Reporting requirements.

Communities receiving program income from more than one closed CDBG grant must aggregate this income to determine whether they are over the \$24,999 threshold.

III. Policy Requirements

The following is required under this policy statement:

1. Creation and Submission of a Program Income Plan:

The Program Income Plan outlines how revenue generated during or after a grant close out will be expended. You must submit a Program Income Plan during the Project Development Phase for all CDBG program awards.

2. Required Components of a Program Income Plan:

Your Program Income Plan must reflect the overall goals of your CDBG Program and have the following components:

- I. **Source of Program Income** -Identify any and all activities expected to generate revenue.
- II. **Estimated amount of income to be generated and anticipated timeframe** - For example, for a micro-loan revolving fund, identify the businesses, the amounts you expect to be repaid and the anticipated timeframe for receiving repayments and re-lending the amount received.
- III. **Uses of Program Income** – identify the activities on which the program income will be spent and determine how those funds will be distributed in a timely manner.
- IV. **Administration** – include a management plan detailing the process and responsible person for administering the plan. The Office of Community Development will determine the amount of program income to be used for administration on a case-by-case basis. In any event, the amount shall not exceed 10%.

3. Special Requirements

The following special requirements apply to program income generated by CDBG assistance to for-profit businesses:

Micro-loan Grants: Except for grantees who demonstrate demand for the use of program income for continuing a micro-loan program, Micro-loan repayments will be collected and returned to the Office of Community Development.

Development Fund Grants: Except for grantees who demonstrate demand for the use of program income for the “same activity” that generated it, all Development Fund loan repayments must be returned to the State of Maine CDBG Development Program. “Same activity” means utilizing funds to assist the business **originally** receiving CDBG monies.

Interim Finance Program, Regional Assistance Fund Program, Business Assistance and Economic Development Infrastructure Programs: The assignment of program income will be negotiated at the time of grant award.

Disaster Recovery Initiative Program – All program income must be returned to the Office of Community Development

4. Reporting Requirements

Grantees are required to complete a post grant program income report annually. The report must cover the period January 1st through December 31st and be submitted to the Office of Community Development by January 31st of the following year. The report must contain documentation of:

Source and Dates of Program Income received, Uses of Program Income, Dates of Expenditures and Compliance with all CDBG Program regulations